

## INTRODUCTION: Financial Report of the United States Government

The following pages are excerpted from the 1999 "Financial Report of the United States Government." The report and accompanying information, prepared and published annually by the Financial Management Service, are modeled after corporate-type reports and are developed on an accrual basis of accounting.

The excerpts represent some of the most noteworthy information contained in the Financial Report. Data for the Financial Report are compiled from Federal program agency ac-

counting systems governmentwide. Treasury also presents a management discussion and analysis, the customary notes to the financial statements, a section on "Stewardship Information" and supplemental information, in the complete document.

The General Accounting Office (GAO) is required by law to audit the Financial Report. GAO's report, as well as the complete Financial Report, can be easily accessed through the internet at [www.fms.treas.gov/cfs](http://www.fms.treas.gov/cfs).

## Statement of Operations and Changes in Net Position

The statement of operations and changes in net position reports the results of Government operations. This includes revenues generated by the Government's sovereign power to tax, levy duties, and assess fines and penalties. The statement covers the net cost of Government operations, net of revenue earned from the sale of goods and services to the public. It also includes any adjustments and unrecorded transactions that affect the net position.

### **Net cost of Government operations**

Net cost of Government operations is the cost of operations reported in the statement of net cost, which is gross cost minus earned revenue.

### **Revenues: financing sources from non-exchange revenue**

The main source of revenue for Government operations is non-exchange revenue, which consists of taxes and other revenue the Federal Government generates under its governmental powers or receives by donation.

### **Miscellaneous earned revenue**

Miscellaneous earned revenue consists of exchange revenues from the public with virtually no associated costs. These items include revenues from spectrum auctions, rents and royalties on the Outer Continental Shelf Lands.

### **Unreconciled transactions**

Unreconciled transactions are adjustments made to balance the change in net position.

### **Net position – beginning of period**

This amount is the net position reported on the prior year's Balance Sheet.

### **Prior period adjustments**

Prior period adjustments are made to revise the beginning net position balance due to accounting principle changes and other adjustments.

### **Net position – end of period**

This is the amount reported as net position on the current year's Balance Sheet.

## **Statement of Net Cost**

This statement shows the net costs of Government operations for fiscal 1999, which is funded by taxation or through

Federal borrowing. The statement reflects the costs incurred to carry out the national priorities as determined by law.

Cost is divided among major functions, which are the same as in the budget except that the allocation of costs to the functions is based on accounting standards. Thus costs are reported on an accrual basis and allocated differently than in the budget. For example, the costs of pensions and retiree health benefits are allocated among all functions that employ workers rather than a subfunction in the constituency function.

A description of all functions and the components of net cost for the activities included in the function is located in the supplemental information section of the "Financial Report of the United States Government" as "Net Cost Detail."

The statement contains the following three components for each function:

- The gross cost of Government operations;
- The revenues earned from the public for goods and services; and
- The net cost of Government operations, which is the gross cost less the revenue earned.

### **Gross cost**

Gross cost includes the full cost of the functions. These costs may be directly traced, as signed on a cause and effect basis or reasonably allocated to the function.

### **Earned revenue**

These are revenues that the U.S. Government has earned by providing goods and services to the public at a price.

### **Net cost**

The net cost of Government operations is the gross cost less the earned revenues.

## **Balance Sheet**

This statement shows the operating assets of the Government that were acquired under fiscal 1999, and prior year budgets. These assets remain available as resources to supply Government goods and services in the future. The statement also shows the Government's operating liabilities including debt held by the public.

It includes some liabilities that have not yet been funded by appropriations. The net position shown in the statement reflects operating assets less liabilities.

**United States Government  
Statement of Operations and Changes in Net Position  
for the Year Ended September 30, 1999**

(In billions of dollars)

**Revenue:**

Individual income tax and tax withholdings .....	1,456.0
Corporation income taxes .....	182.2
Unemployment taxes .....	25.6
Excise taxes .....	70.5
Estate and gift taxes .....	27.7
Customs duties .....	18.4
Other taxes and receipts .....	42.0
Miscellaneous earned revenues .....	10.5
Total revenue .....	1,832.9

**Net Cost of Government Operations:**

National defense .....	413.2
Human resources .....	905.3
Physical resources .....	95.1
Interest .....	230.1
Other functions .....	112.3
Total net cost of Government operations .....	1,756.0

**Excess of revenue over net cost .....** 76.9

Unreconciled transactions affecting the change in net position (Note 16) .....	24.4
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**Increase in net position .....** 101.3

**Net position, beginning of period .....** -6,134.4

Prior Period Adjustments (Note 17) .....

6.9

**Net position, end of period .....** -6,026.2

The accompanying notes in the complete document are an integral part of these financial statements.

**United States Government  
Statement of Net Cost  
for the Year Ended September 30, 1999**

(In billions of dollars)	Gross Cost	Earned Revenue	Net Cost
<b>National defense</b> . . . . .	451.2	38.0	413.2
<b>Human Resources:</b>			
Education, training, employment and social services . . . . .	57.9	1.4	56.5
Health . . . . .	140.6	0.7	139.9
Medicare . . . . .	207.0	21.7	185.3
Income security . . . . .	188.0	6.2	181.8
Social Security . . . . .	387.7	-	387.7
Veterans benefits and services (Note 11) . . . . .	-43.2	2.7	-45.9
Total human resources . . . . .	938.0	32.7	905.3
<b>Physical Resources:</b>			
Energy . . . . .	12.9	12.4	0.5
Natural resources and environment . . . . .	27.1	2.9	24.2
Commerce and housing credit . . . . .	89.2	73.9	15.3
Transportation . . . . .	44.1	1.1	43.0
Community and regional development . . . . .	14.9	2.8	12.1
Total physical resources . . . . .	188.2	93.1	95.1
<b>Interest</b> . . . . .	230.1	-	230.1
<b>Other Functions:</b>			
International affairs . . . . .	29.6	9.6	20.0
General science, space and technology . . . . .	17.5	0.1	17.4
Agriculture . . . . .	27.2	2.4	24.8
Administration of justice . . . . .	31.2	1.6	29.6
General government . . . . .	25.1	4.6	20.5
Total other functions . . . . .	130.6	18.3	112.3
<b>Total</b> . . . . .	1,938.1	182.1	1,756.0

The accompanying notes in the complete document are an integral part of these financial statements.

**United States Government  
Balance Sheet  
as of September 30, 1999**

(In billions of dollars)

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**Assets:**

Cash and other monetary assets (Note 2) . . . . .	115.2
Accounts receivable (Note 3) . . . . .	35.0
Loans receivable (Note 4) . . . . .	183.7
Taxes receivable (Note 5) . . . . .	22.7
Inventories and related property (Note 6) . . . . .	173.3
Property, plant and equipment (Note 7) . . . . .	298.8
Other assets (Note 8) . . . . .	54.3
Total assets . . . . .	<u>883.0</u>

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**Liabilities:**

Accounts payable (Note 9) . . . . .	85.8
Federal debt securities held by the public (Note 10) . . . . .	3,631.6
Federal employee and veteran benefits payable (Note 11) . . . . .	2,600.7
Environmental and disposal liabilities (Note 12) . . . . .	313.2
Benefits due and payable (Note 13) . . . . .	73.8
Loan guarantee liabilities (Note 4) . . . . .	35.1
Other liabilities (Note 14) . . . . .	<u>169.0</u>
Total liabilities . . . . .	<u>6,909.2</u>
Commitments and Contingencies (Note 18)	
<b>Net Position</b> . . . . .	<u>-6,026.2</u>
Total liabilities and net position . . . . .	<u>883.0</u>

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